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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1944

NO. 373

ALPINE MacGREGOR, Petitioner,

v.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY, a Corporation, Respondent.

## PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF THE STATE OF PENNSYLVANIA AND BRIEF IN SUPPORT THEREOF.

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Pittsburgh, Pa.
August, 1944.

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WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY, a Corporation, Respondent.

## PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF THE STATE OF PENNSYLVANIA.

*To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States*:

The petitioner, Alpine MacGregor, respectfully prays for a writ of certiorari herein to review a certain final decision of the Supreme Court of the State of Pennsylvania, being the highest Court of the said State, in the above-entitled action, the opinion and decision of said Court having been rendered and filed June 30, 1944 (R. 11 b); by which said decision the said Court held that petitioner was estopped to attack the validity of a patent to thereby establish the illegality of a license agreement, containing price fixing provisions, in an ac-

tion for an accounting for royalties under said license agreement.

**Questions Involved.**

(1) Was petitioner deprived of a right under the decision of this Court in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173 by the action of the Supreme Court of Pennsylvania in the decision aforesaid, whereby he is ordered to render an accounting for royalties under an illegal agreement?

(2) In an action for an accounting under a patent royalty license containing price fixing provisions, may such price fixing provisions be stricken by application of the so-called "Blue Pencil Rule" for the purpose of decreeing an accounting if the patent is prima facie invalid?

(3) May petitioner recover royalties involuntarily paid under legal duress and under the provisions of an illegal license?

These questions were raised and relied upon by petitioner in the courts below; see appendix page 9 to this petition.

**Statement of the Case.**

This is an action *in assumpsit* for accounting under a patent royalty license tried in the Common Pleas Court, Allegheny County, Pittsburgh, Pennsylvania, without a jury.

The statement of claim (R. 6 a) alleges a license agreement (R. 195 a) dated November 16, 1937 between respondent and petitioner under Jones patent No.

1,651,709 dated December 6, 1927 (R. 333 a) covering the selling of brazing solders as described and claimed in the said patent. The statement of claim further alleges that said license was entered into by the parties in compromise of a patent infringement suit. The license provides, *inter alia,* that petitioner pay respondent a royalty of 10% of the net selling price of brazing solders as established by price schedules[1] furnished by respondent in conformity with paragraphs 5 and 6[2] of the license agreement.

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[1] Such price schedules were furnished for both distributor and user selling prices with the request they be maintained by petitioner under the provisions of sections 5 and 6 of the license agreement (R. 197 a, 198 a).

[2] Paragraphs 5 and 6 of the license agreement read as follows:

"5. WESTINGHOUSE grants this license on the express condition that the prices, terms and conditions of sale for use or sale in the United States of America, its territories and possessions of brazing solders embodying the invention covered by said Letters Patent and so long as such brazing solders continue to be covered by said patent, shall be no more favorable to the customer than those which from time to time WESTINGHOUSE establishes and maintains for its own sales of similar or competing brazing solders under such patent to such or other similarly situated customer purchasing in like quantities. MACGREGOR shall be notified of all such prices, terms and conditions of sale fixed by WESTINGHOUSE.

The prices, terms and conditions of sale of WESTINGHOUSE may be changed by WESTINGHOUSE from time to time, notice being given MACGREGOR, but not less than five days' notice shall be given before any such change shall go into effect.

6. It is agreed that it shall be regarded as an evasion of this agreement amounting to a breach thereof for MACGREGOR to reduce WESTINGHOUSE'S sale price or alter WESTINGHOUSE'S selling terms and conditions of

Respondent charges that in conformity with said license petitioner had paid royalties on a solder containing copper, phosphorus and tin, but that petitioner had refused to pay such royalties on a solder containing copper, phosphorus and silver, and that upon respondent's request for the payment of royalty on the latter, petitioner also refused to thereafter pay the royalties for the solder containing copper, phosphorus and tin.

The answer (R. 14 a) denies that petitioner's solder containing copper, phosphorus and tin, and copper, phosphorus and silver, comes under respondent's patent and within the terms of the license agreement, and denies that petitioner is accountable to respondent for any royalties as charged in the complaint.

The answer further avers that during the prosecution of the application that has matured into patent 1,651,709, respondent so distinguished the invention of that patent from the prior art cited by the Patent Office that it is estopped from asserting the patent to embrace within its scope solder comprising copper, phosphorus and tin or silver, or any materials other than copper and phosphorus as disclosed in the patent.

Petitioner's answer contains a set-off and counterclaim (R. 20 a) requesting repayment of royalties heretofore paid and further averring that if respondent's patent be construed to cover brazing solders containing

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sale directly or indirectly either through its own organization, its agents or others by any device, subterfuge or evasion or by any means whatever or to make the prices lower or the terms or conditions more favorable than those set forth by WESTINGHOUSE."

tin and silver it is invalid and void because the alleged invention purported to be patented thereby does not constitute patentable knowledge or invention within the meaning of the Patent Laws in view of the prior state of the art and because of respondent's admission that the alloy purported to be covered by the patent is old.[3]

The answer further avers that because of the price fixing provisions of the license agreement it is illegal and void and in violation of the anti-trust laws, namely, the Sherman and Clayton Acts, because the licensed patent is *prima facie* invalid and the license evidences an illegal use of respondent's patent monopoly (R. 23 a, 24 a).

After filing of the complaint in the state court, petitioner filed a declaratory judgment suit in the United States District Court for the Western District of Pennsylvania, asking that the patent be declared

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[3] The licensed patent to Jones 1,651,709 (R. 333 a) is for an alloy of copper and phosphorus, the preferred composition, as stated in the patent, being 8.2% of phosphorus and the remainder copper, which melts at 707° C. This exact proportion of copper and phosphorus is known as the eutectic alloy of copper and phosphorus and is fully disclosed in the prior publication "Metallic Alloys" of 1913, by Gulliver (R. 229 a). Respondent in its brief below admitted that the alloy was old *per se* but argued that the invention was in the use of the alloy as a solder. Respondent there said:

> "For example, plaintiff could not now claim that the Jones patent covers copper-phosphorus alloys generally, for as defendant's brief has pointed out at page 21 Jones admitted that such alloys *per se* were old before his invention. He specifically agreed that his invention is restricted to the solder described in the claims, as distinguished from copper-phosphorus alloys generally."

invalid and the license contract illegal. This suit was dismissed by motion of respondent on the ground that the state court having jurisdiction of the case could pass upon the question of validity of the patent and could dispose of the question of violation of the Sherman Act.

In the subsequent trial of the issues in the state court, the court refused testimony and exhibits as proof of invalidity of the patent (R. 99 a, 102 a) and refused evidence of damages, the court holding (R. 268 a) that "as between the parties" the patent is valid, and that damages under the Sherman Act could be recovered only by a suit in a federal court (R. 118 a).

On appeal to the Supreme Court of the State of Pennsylvania, the trial court was affirmed on the ground that the price fixing provision of the license agreement was not involved in the litigation to recover royalties and that the decision by this Court in *Sola Electric Co. v. Jefferson Electric Co., supra,* does not preclude the respondent from invoking the doctrine of estoppel.[4] The Court below, in reference to its former decision in *Angier v. Eaton, Cole & Burnham Co.,* 98 Pa. 594, held that it is a recognized principle applicable to patent licenses that while the patent is apparently valid and

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[4] The Pennsylvania Supreme Court said:

"The price-fixing clause is not in issue. It is raised merely as a defense to a suit for accounting and payment of accrued royalties. The legality, the enforceability of the price-fixing clause is a moot question. We therefore do not propose to declare the Jones patent invalid. Whether the price-fixing clause in the license is legal or invalid is not before this Court. It is our judgment that the decision of the Sola case does not control or determine the instant case."

the licensee is enjoying the benefit of its supposed validity, he is bound to pay the stipulated royalty, and cannot set up as a defense the actual invalidity of the patent.

The Supreme Court of Pennsylvania ignored the recent decision by the Seventh Circuit Court of Appeals in *Chicago Metallic Manufacturing Co. v. Katzinger Co.*, 139 F. 2d 291, construing this Court's decision in *Sola Electric Co. v. Jefferson Electric Co.*, to the effect that a licensee sued for royalty under a patent license may prove illegality of the license by establishing invalidity of the patent so long as such license contains price fixing provisions, irrespective of whether the licensor is attempting to enforce such price fixing provisions.

**Reasons for Allowance of the Writ.**

I. Because the decision of the Supreme Court of the State of Pennsylvania is in conflict with the decision of this Court in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173.

II. Because the decision of the Supreme Court of the State of Pennsylvania is in conflict with the decision of the Seventh Circuit Court of Appeals in *Chicago Metallic Manufacturing Co. v. Katzinger Co.*, 139 F. 2d 291.

III. Because the Supreme Court of Pennsylvania has decided a federal question of substance in a way not in accord with the applicable decisions of this Court.

**The Importance of the Question.**

Clarification and extension of the rule of the *Sola* case, *supra,* appears to be necessary in the public interest. While the decision of the Supreme Court of Pennsylvania is unanimous, it is in direct conflict with the decision of the Seventh Circuit Court of Appeals in the *Chicago v. Katzinger* case, *supra,* both Courts being courts of last resort, and the circumstance that the aforesaid decisions of the highest court of the State of Pennsylvania and the Seventh Federal Judicial Circuit are irreconcilable is serious. If the decision below is allowed to stand it becomes the machinery for enforcing a fraudulent scheme to abuse the patent privilege.

WHEREFORE your petitioner respectfully prays that a writ of certiorari be issued out of and under the seal of your Honorable Court directed to the Supreme Court of Pennsylvania, commanding that Court to certify and send to your Honorable Court for review and determination, on a day certain therein to be named, a full and complete transcript of the record of all proceedings in the case numbered and entered on its docket as No. 124 March Term, 1944, entitled Westinghouse Electric & Manufacturing Co., a corporation, v. Alpine MacGregor, Appellant, and that the judgment of said Court, entered June 30, 1944, be reversed by your Honorable Court, and that your petitioner may have such other and further relief in the premises as to your Honorable Court may seem meet and just.

Respectfully submitted,

WILLIAM B. JASPERT,
*Attorney for Petitioner.*

August, 1944.